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ABSTRACT

In 1973 the New Jersey Supreme Court ordered the legislature to define in operational terms the legislature's constitutional obligation to provide "a thorough and efficient system of free public schools for the instruction of all children in the state between the ages of five and eighteen years." It also ordered the legislature to develop a new funding system to ensure that each district would be enabled to meet the requirements of the system defined by the new legislation. Shortly after the Supreme Court had rendered its 1973 decision, the state of New Jersey initiated efforts to deal with the state's obligations to provide adequate school facilities for all children. One purpose of this paper is to describe the process and findings of the various studies that were conducted to determine the unmet school facility needs of the state. A new education law was passed by the legislature and accepted by the New Jersey Supreme Court in January, 1976. It contains a new state school aid formula, including a new method for providing state aid for facilities construction. Therefore, a second purpose of this report is to evaluate the extent to which the new systems of state aid have worked to reduce the facilities disparities noted by the courts. Finally, this paper examines how other states have met their school facility needs and recommends methods for New Jersey that can be more successful than the methods in current use. (Author/MLF)

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EA 011 224

A Report of the
New Jersey Education Reform Project

UNMET SCHOOL FACILITY NEEDS
AND
THOROUGH AND EFFICIENT EDUCATION
IN
NEW JERSEY

November, 1978

Principal Researcher
Larry Rubin

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School Facility Expenditures, State Aid and Building Age of 62 School Districts in New Jersey

Introduction

On April 3, 1973, more than two years after the Robinson v. Cahill case was first initiated, the New Jersey Supreme Court upheld a lower court decision that the state's school funding system was unconstitutional. The court ordered the legislature to define in operational terms the legislature's constitutional obligation to provide "a thorough and efficient system of free public schools for the instruction of all children in the state between the ages of five and eighteen years."[1] It also ordered the legislature to develop a new funding system to insure that each district would be enabled to meet the requirements of the system defined by the new legislation.

The lower court decision was not only concerned with the huge interdistrict disparities in current operating expenditures per pupil; it was concerned with the gross disparities in educational facilities as well. It described how "In Paterson, 7 of 26 elementary schools in use were built between 1887 and 1899. Many buildings do not meet State standards for lighting and safety equipment.... Cafeteria and recreation areas are inadequate."[2] It discussed East Orange, where eight of 12 buildings were built before 1914, and 76 classrooms were located in basement and attic areas. It referred to a report which concluded "that almost all elementary schools in Camden are deficient in facilities for desirable programs such as art, music, science, home economics, etc."[3] In examining the role of the school, the court recognized the importance of facilities. "Also discussed was the low self-esteem of children from poor neighborhoods who begin their first contacts with American government by entering ancient dilapidated buildings. Perhaps they ask themselves, is this what my State thinks of me?"[4]

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1 N.J. Constitution, Article VIII, Section IV, Paragraph 1.

2 Superior Court of New Jersey Law Division-Hudson County Docket #L-18704-69, p.32.

3 Ibid., p.33

4 Ibid., p.42.

The Supreme Court decision made it clear that the new funding system was to encompass all school expenditures, including expenditures for land, buildings and equipment. "We have discussed the existing scene in terms of the current operating expenses. The State's obligation includes as well the capital expenditures without which the required educational opportunity could not be provided".[5]

Shortly after the Supreme Court had rendered its 1973 decision, the State of New Jersey initiated efforts to deal with the state's obligations to provide adequate school facilities for all children. One purpose of this paper is to describe the process and findings of the various studies which were conducted to determine the unmet school facility needs of the state. A new education law was passed by the legislature and accepted by the New Jersey Supreme Court in January, 1976. It contains a new state school aid formula, including a new method for providing state aid for facilities construction. Therefore, a second purpose is to evaluate the extent to which the new systems of state aid have worked to reduce the facilities disparities noted by the courts. Finally, this paper examines how other states have met their school facility needs, and recommends methods for New Jersey which can be more successful than the methods in current use.

I
STATE SURVEYS OF SCHOOL FACILITY NEEDS

Shortly after the New Jersey Supreme Court decision, the legislature established a Joint Committee of the two houses to define the notion of "Thorough and Efficient" in operational terms. At that time,the Governor's staff, along with legislative and State Department of Education (SDOE) personnel, developed a new state school aid formula. In recognition of its obligations with respect to school facilities, the legislature also passed Chapter 200, Laws of 1973, which called for "a survey of present elementary and secondary facilities...." of the state's public schools, and ".... for local boards of education (to) project the future needs for such facilities in this State".

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[5] Ibid., p.46.

In 1974, the SDOE commissioned the Engelhardt Study, a pilot test of a new school facilities survey system. The Governor's Capital Needs Commission criticized the state in 1975 for taking no further action beyond the Engelhardt study, so the State Board of Education responded later that year with a facilities planning process which required that every school district submit a Facilities Master Plan to the SDOE by July 1, 1977. That date was subsequently postponed to July 1, 1979. Most recently, in 1977, the Uniplan firm was commissioned by the SDOE to conduct an objective survey of school facility needs. Uniplan is currently studying facilities in three counties.

The Engelhardt Study

The State Department of Education commissioned the educational consulting firm, Engelhardt and Engelhardt, to develop data collection and storage methods for a survey system which could be used to obtain a complete inventory and evaluation of public school facilities. The system was tested in a survey of educational facilities in Mercer County as a pilot project for a statewide survey to be completed at a later date.[6]

Each district in Mercer County was given two questionnaires. One was an inventory of all instructional and non-instructional facilities. The other was an evaluation of those facilities. Both forms were completed by the districts and then corroborated by the Engelhardt firm through site visits. Formulas were established to calculate school capacities and to evaluate buildings in terms of educational functions and physical conditions. The facilities of each building in the county were appraised according to a lengthy rating system, which formed the basis for subsequent action according to the following schedule:

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[6] Report on the Pilot Survey of Public School Facilities, Mercer County, New Jersey, (Purdy Station, New York: Engelhardt and Engelhardt, 1974).

Action	Score* Education Function	Physical Condition
Abandon	Below 250	Below 500
Renovate or Remodel	250 to 600	500 - 750
Addition may be Needed	250 to 600	-
Satisfactory	Over 600	Over 750

*Maximum Score is 1,000

Twelve of the 91 buildings in Mercer County were rated below 250 in education function and below 500 in physical condition and were recommended for abandonment or replacement. Only 14 buildings met the recommendations for size relative to capacity set forth in the state's Guide for Schoolhouse Planning and Construction.[7]

The Engelhardt study anticipated that a three-year statewide survey would follow in 1974/75, using the forms, manual of instructions and data storage systems developed in the Mercer County pilot survey. It was suggested that the forms be completed by the districts themselves, but verified by an outside consultant. Site visits in the Mercer County study revealed a high error rate in reporting space measurement, and wide variations in the objectivity of local administrators regarding facility evaluation. This experience indicated the necessity for professional skill and independent objectivity.

At this time, the statewide survey has taken somewhat different directions and is following a less ambitious time-table. The Engelhardt forms and instructions were included as part of the Educational Facilities Master Plans which have since been requested by the SDOE from all school districts. However, these plans need not be verified by independent consultants. Therefore the State Department of Education hired the Uniplan firm to provide them with an independent objective survey as well.

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[7] Guide for Schoolhouse Planning and Construction, (Trenton: State Department of Education).

The Uniplan Study

In 1977, Uniplan of Princeton began the statewide survey of school facility needs. However, the budget authorized for the task, permitted a survey of only three counties, Essex, Morris and Camden, with a scheduled completion date of the summer of 1978. It has been estimated by SDOE officials that a survey of the entire state could be completed in several years, if additional funds are provided by the legislature. Uniplan required $245,000 for the three county survey; to date no funds have been allocated for the survey of the other 18 counties.

The ultimate purpose of the Uniplan study is to provide the state with an objectively determined inventory of school facilities for every district in the state. Where the facilities are inadequate due to substandard rooms, rooms of insufficient size or lack of sufficient special purpose rooms, cafeterias, play areas, etc., that information will also be recorded. This information will ultimately be computerized and maintained on an updated basis, so that the state will have a complete and current management information system for all school facilities in the state. The reported purpose of this system will be to enable the SDOE to make well informed recommendations to the Governor and legislature regarding the level and computation of state aid for future school construction.

The Educational Facilities Master Plan

The New Jersey Administrative Code (6:22-2.9) was amended in 1975 to require an educational facilities master plan from each school district. The plan was to be prepared by district employees and/or outside consultants. It was to include a ten year estimate of capital construction needs based on a detailed study of district needs, including:[8]

1. A narrative overview of the district's geography, history, industry, schools and general environment, supported by maps and tables.

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[8] SDOE Memorandum of March 8, 1976.

2. A detailed study of the district's demographic factors which might affect enrollment during the next 10 years.

3. Geographic or socioeconomic factors which might impact on a major capital improvement program.

4. The influence of transportation factors on school site selections and development.

5. The effect of the district's plan for integrating all minorities.

6. A description of the district's educational program, goals and objectives.

7. An evaluation of the suitability of each facility for meeting the education program, through the use of a standardized evaluation instrument.

8. A schedule of planned site acquisitions, new buildings, additions, renovations and abandonments over the next ten years.

The purpose of the plan was to provide each local district and the state with a rationalized estimate of long term capital needs. The first plan was to be supplied by each district by July 1, 1977, with subsequent updates submitted every five years thereafter. Due to district complaints the target date was changed to July 1, 1978 and was subsequently deferred again to July 1, 1979.

The Governor's Capital Needs Commission

In April, 1975, a report of the Governor's Commission to Evaluate the Capital Needs of New Jersey included a review of the capital needs of the state's public school system. The report recognized that, "The New Jersey Supreme Court definition of a thorough and efficient education system will have capital funding implications, as well as operational".[9]

The Commission report pointed out that in 1975, 10,000 New Jersey students were attending 1,200 substandard classrooms in 128 districts, while 33,000 students were on curtailed sessions in 85 districts. The Commission endorsed the Department of Education's

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9 The Governor's Commission to Evaluate the Capital Needs of New Jersey Summary Report, (Trenton: 1975), p.46.

recommendations that $213 million be approved to address these most critical issues.

In regard to general state aid, the Commission made the following recommendation:

> The current state aid allowance for capital outlay averages slightly more than 19 percent of total capital expenditures. Legislative proposals currently pending would attempt to meet the thorough and efficient requirement through a formula that would provide about 30 percent of local debt service. The Commission suggests consideration of an even higher level similar to that provided by other States.
>
> Nearby states provide a much higher level of local assistance for capital purposes than New Jersey: For example,

New York	42 percent
Pennsylvania	45 percent
Delaware	60 percent
Maryland	100 percent (10)

In addition the Commission recommended a sharp increase in the planning role of the State Department of Education.

> There is currently no state requirement that capital planning be undertaken by any of the 600 local school districts, the counties or the State Department of Education. Neither is there any departmental program suggested for the local school community to follow in the development of any capital planning. As a result of this void, school planning varies from highly sophisticated programs done by professionals to practically nothing. (11)

The Commission also recommended the creation of a task force consisting of state officials, and representatives of business and labor to prepare a state program for school capital. It pointed out that the state did not have a reliable inventory of its total school facilities, and suggested a facilities survey along the lines of the Engelhardt Study in order to provide a means of evaluating all school facilities in an equitable manner and to obtain an accurate comparative picture of all school buildings in the state.

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10 Ibid.

11 Ibid., Research Report, p.128.

Finally, the Governor's Commission recommended the establishment of the New Jersey Commission on Capital Budgeting and Planning (NJCCBP) to do short and long range statewide capital needs evaluation and planning, and to recommend capital items to be included in each year's state budget.

The New Jersey Commission on Capital Budgeting and Planning

The Capital Budgeting and Planning Commission was formed in 1975. In its first summary report in December 1976,[12] the Commission recommended a wide variety of state capital expenditures, including $606,000 for programs managed by the SDOE, but it did not include any discussion of local district capital needs. Their subsequent "Annual Capital Improvement Plan" in March 1977, took the same posture.

The State Department of Education staff appeared before the Commission in August 1977[13] to support the Additional State School Building Aid Act of 1977 (Senate Bill 3323). This bill provides state support for up to $100 million in bonds for local districts unable to provide suitable educational facilities. It is similar to two previous bills written in 1968 and 1971 which were generally referred to as "emergency school building aid". All three bills stipulate calculation of aid to districts on the basis of educational needs. As part of its testimony, the SDOE described the current state of school facility needs in New Jersey, and concluded that the proposed $100 million aid plan fell far short of current state school needs.

Although the SDOE testimony considered the effect of declining enrollment on the need for facility expenditures in New Jersey, it acknowledged that enrollment trends varied from district to district.

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12 New Jersey Commission on Capital Budgeting and Planning, Summary Report and Recommendation, (Trenton, 1976).

13 Report of the Department of Education Before the New Jersey Commission on Capital Budgeting and Planning, (Trenton, August, 1977).

> Even if enrollment decline were uniform among school districts throughout the state, there exist conditions which indicate a need for new, rehabilitated or renovated school buildings. Perhaps, most important is the age of many of the schools in the state, particularly in the urban and other older communities. A decline in pupil enrollments does not eliminate the need to replace schools which are extremely old, often unsafe, often inefficient to operate and unsuitable to sound educational programs. Also, these older facilites may simply prohibit use by those handicapped pupils who cannot navigate their wheelchairs through the doors, climb the stairs or use the rest rooms. In addition, there are practices in many school districts which are unsatisfactory but interim solutions to overcrowding that are obscured in the projected statewide enrollment trends. Numerous districts have coped with excess enrollments through double, triple and staggered sessions, a practice seen by most observers and educators as undesirable. Many districts are able now or are looking forward to reducing class size to twenty-five, twenty-two or other locally desirable number of pupils per classroom. And, there are many educational activities, such as small group instruction, one-on-one tutoring, independent study and counseling sessions, which require space unavailable when every room in a school building is needed to house a full class of students for the entire day. (14)

In its testimony, the SDOE concluded by taking the position that "the provision of adequate school facilities to serve the New Jersey students is necessary to a thorough and efficient system of education". It saw the current system as a state and local partnership, in which the state establishes minimum standards for all to meet and local districts decide specific size, location, educational and design criteria, with the result that all New Jersey students will be guaranteed "the quality education system that is their right and that they so richly deserve."[15]

However, there may be a gap between the rhetoric and the reality; one intent of this paper is to examine the actual determinants of local capital spending, i.e. building and pupil needs, or such educationally irrelevant factors as local property wealth. In this light, it is valuable first to examine the decision-making process by which local districts now determine their building programs.

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14 Ibid., pp.8-9.

15 Ibid., p.12.

II

LOCAL AND STATE PROCEDURES IN THE FACILITIES CONSTRUCTION PROCESS

Although the local district Facilities Master Plan provides an excellent device for planning school capital needs, it is not necessarily a guide for local action. There are no specific criteria to guide local decisions regarding the need for new facilities, although once a decision has been made, the capital construction process must follow very precise state guidelines embodied in the SDOE manual "Guide for Schoolhouse Planning and Construction".[16]

Fundamentally, the purpose of the state planning guide is to establish minimum state requirements "to assure that the health and safety of students is not endangered in any school building".[17] The State Board of Education is authorized under Title 18A:33-1 and 18A:20-36 "to review and approve plans, inspect buildings, order alteration or abandonment of buildings".[18] This authority applies literally to every new or altered building, regardless of the magnitude of the construction, and is carried out by the Bureau of Facility Planning Services of the Department of Education.

The guide recommends that districts plan their capital needs based on: an enrollment forecast of at least 12 years; a determination of the facilities needed to meet the program needs of the forecast student population; an evaluation of existing facilities; and educational specifications detailing desired facilities. After selecting a site, an architect is contracted to prepare schematic plans and cost estimates which must then be sent along with the educational specifications to the Bureau of Facility Planning Services for review.

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16 Guide for Schoolhouse Planning and Construction.

17 Ibid., Foreword.

18 Ibid., para. 1.2.

The scope and nature of the review is not clear from the guide. It does not stipulate conditions under which plans can be rejected, nor the procedures which govern rejected plans. According to the guide, the Bureau will only require a district to prove the necessity of new construction when the district has exceeded its credit limit. In such cases, districts must prove ability to pay future debt and the Department of Education must approve debt beyond the statutory limit of approximately 4% of equalized property wealth.

According to an official of the Bureau of Facility Planning Services, the Bureau has rejected and will continue to reject plans which fail to meet the Bureau's current minimum standards for physical components such as room size, sufficiency of resource areas and "barrier free" accommodations for handicapped children. However, there appear to be no Bureau maximum standards, and in the past no plan has ever been rejected for being too luxurious.

Starting in July 1979, the Bureau intends to reject plans which are not consistent with district master plans, unless the discrepancy is adequately explained. This could result in the rejection of new building plans which exceed locally determined needs as defined in their master plans. In such an event, districts can seek to overrule the Bureau's decision by following the traditional appeals process which can ultimately go to the State Board of Education.

Essentially, it appears that the major function of the Department of Education is to ensure that districts adhere to minimum state construction standards with respect to the health and safety of children, and minimum fiscal standards with respect to debt capacity. Beyond those minimums, decisions regarding the quality and quantity of school facilities are subject to local control, and there appear to be no upward limits on the quality of facilities other than those set by the local district voters themselves.

Once the SDOE has approved the extension of credit and the construction plans, the district may hold a local referendum if needed. Referenda and subsequent construction may not take place before SDOE approval is received. In the past, an unfavorable referendum vote spelled the end of the process, since construction can not take place without a positive vote of the local citizens. However, a recent opinion of the Attorney General holds that the Commissioner and State Board have the authority to direct a local board to carry out a capital project, even after a referendum defeat, if they judge the project necessary to provide a "thorough and efficient" education.[18] However, the Commissioner has not yet exercised that authority.

If a referendum is favorable, the architect prepares more detailed plans which are then reviewed by the Bureau for both educational and architectural adequacy. After Bureau approval, final plans are prepared and reviewed by the Bureau against the rules and regulations set forth in the guide. Final approval is then made by the State Board of Education. Thereafter, the district can advertise for bids from contractors approved by the SDOE. Interim and final inspections of construction will be made by Bureau officials.

The guide contains detailed recommendations regarding every aspect of school construction, from the provision of visitor reception areas to the type of floor material, from the height of chalkboards to the size of auditoriums. Standards are recommended for the size of a site, its topography and safety conditions. A range of acceptable to desirable classroom sizes are given for different grade levels. Minimum ceiling heights and corridor widths are required, as are other requirements specified (such as exit doors, stairways, ventilation, heating, air conditioning and sanitation).

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[18] School Board Notes, (Trenton: New Jersey School Boards Association, January 19, 1978, Vol.1.No.20),p.2.

While it is clear that districts have a great deal of "local control" and freedom to go as far as they wish beyond the minimum requirements of the state, it is equally clear that local district decisions vary depending on many factors. For example, some districts have citizens with higher income levels than others, or citizens in some districts place a greater value on buildings than do other citizens. While the state exercises little influence over local values, it can have a very substantial effect on local decisions by the nature of the state's school facility aid plans. The characteristics of those plans will be examined in the next section.

III
SOURCES OF STATE SUPPORT FOR DEBT SERVICE AND CAPITAL OUTLAY

The Bateman Act

Under the former school financing plan, the Bateman Act, state support for debt service and capital outlay was calculated by a formula which recognized both district property wealth inequality and the problems associated with poverty. State support was calculated as follows:

($45) x (weighted enrollment) -(.75 mills) x (local equalized valuation)

The "weighted enrollment" of a district was calculated by multiplying the enrollment in each grade by a state determined index of relative expenditure levels for each grade. The index increased with the grade level. In addition to the grade weighting, each child in the district who received AFDC aid was counted as an additional .75 student. As a result of this weighting system, districts with relatively high concentrations of AFDC children received larger grants. This was of particular benefit to urban districts which have the highest concentrations of AFDC children. Although there is no connection between poverty and school facility needs, this element of the formula served as a proxy for what was recognized as the general problem of school facility inadequacy in the urban centers.

According to the formula, the grant of $45 per weighted child was then reduced by .75 mills times the equalized valuation of the district. As a result, the poorer the district, the less the deduction and the higher the net grant. Thus the Bateman formula, within the limits of the total amount of state aid allocated, was of greatest benefit to the low wealth districts with high concentrations of AFDC children. The elimination of the AFDC weighting in the new state school aid formula has caused these districts to benefit relatively less than other districts from the increased level of aid provided by the new act.

Public School Education Act of 1975

Formula Aid

School districts can now look to two different sources for state aid to meet their facility needs. One source is the state aid formula contained in the new Public School Education Act of 1975. The other source is "emergency school building aid".

The state aid formula works as follows:

(Net debt service + capital outlay of pre-budget year*) x
1.00 -[(district equalized evaluation) ÷ (state guaranteed valuation)]

*Capital outlay is limited to 1½% of current expense + budgeted capital outlay.

For example, the state guaranteed valuation per pupil in 1978/79 was $106,000. Camden had an actual valuation per pupil of $21,993. Therefore the State Support Ratio for Camden was 79.25%[19], and Camden's aid was calculated as follows:

Actual Capital Outlay Budget	$975,868	
Limited to 1.5% of Current Expense and Capital Outlay Budgets	589,765	
Less Offsetting Revenue	282,070	
Amount Subject to Aid		$307,695
Debt Service	980,801	
Less Offsetting Revenue	499,847	
Amount Subject to Aid		480,954
Total Amount Subject to Aid		788,649
x State Support Ratio of 79.25% = Total State Formula Aid		$625,004

[19] 1.00 - (21,993 ÷ 106,000) = .7925.

Emergency School Building Aid

In addition to the formula aid which districts automatically receive and which is based on the actual pre-budget year's expenditures, districts may also apply for "emergency school building aid", which is based on current relative need. A district must submit an application which includes such factors as: unhoused pupils; enrollment change; total tax rate; school and total municipality debt; population density; equalized property wealth per pupil; number of children on welfare; existing and proposed facilities. Each of these factors is audited and weighted by the SDOE, and then each district is assigned a maximum entitlement. The actual emergency aid allotment to each district is a pro rata share of the maximum entitlement, depending on the total entitlements of all the applicant districts. For example, under the 1971 Act, 58 districts received 50% of their maximum entitlements, and 17 others received 40%. The intent of "emergency aid" is to favor urban and other economically disadvantaged districts which are least able to replace or rehabilitate substandard facilities.

IV

THE FISCAL IMPACT OF THE CURRENT DEBT AND CAPITAL OUTLAY FORMULA

There are several criteria which can be used to evaluate the fiscal impact of the new school facilities state aid formula. One is to look at the level of state aid. Has it increased? How does it compare to other states? Another criterion is the impact of state aid on the level of school facility expenditures. To what extent have total state school facility expenditures increased to meet statewide current needs? The final criterion is the impact of state aid on reducing interdistrict disparities in the quality of school facilities. To what extent has the new formula led to a relatively higher increase in facility expenditures in those districts with the greatest needs?

Level of State Aid

The figures in Table 1 demonstrate that state aid for district debt service and capital outlay has increased by 58.3% as a result of the new act, from 22.5% of total expenditures in 1974/75 to 30.5% in 1977/78. Is 30.5% an appropriate level? Earlier in this paper, it was pointed out that in 1975 the Governor's Capital Needs Commission recommended an increase in the percentage of state aid from the 19% provided at that time to an even higher level than the 30% being recommended by pending legislation. It compared New Jersey to nearby states which provided much higher levels, such as New York 42%, Pennsylvania 45%, Delaware 60%, and Maryland 100%.

For the year 1977/78, the new formula aid plan in Chapter 212 provided only 23.5%, and even with the addition of emergency aid, total state aid amounted to only 30.5%, still far below the level of these neighboring states.

When state support for school facilities in New Jersey on a per pupil basis is compared to that of the other nine largest states in the nation, New Jersey ranks very low. In 1975/76, New Jersey spent less per pupil than any of the states for which comparable data is available (See Table 2). By 1977/78, New Jersey had almost doubled its state support per pupil, (See Table 1) but was still spending less than what all but one of these states spent in 1975/76. It is evident that, although the new act has substantially increased the level of state support for school facilities in New Jersey, that level is still far below the level of comparable states, both in terms of the proportion of state aid to total capital expenditures as well as the amount of state aid per pupil.

TABLE 1

NEW JERSEY EXPENDITURES AND STATE AID FOR SCHOOL FACILITIES, 1974/75 - 1977/78

	1974/75	1975/76	1976/77	1977/78
District Capital & Debt Expenditures				
Capital Outlay	$ 15,160,576	$ 13,045.141	$ 11,833,653	$ 23,914,219
Debt Service	166,679,137	179,411.721	187,998,809	186,901,558
Emergency Aid	11,471,923	13,799,609	15,508,285	15,850,606
Total	$ 193,311,636	$ 206,256,471	$ 215,340,747	$ 226,666,383
State Aid				
Formula Aid	$ 32,140,565	$ 22,324,213	$ 46,300,179	$ 53,193,478
Emergency Aid	11,471,923	13,799,609	15,508,285	15,850,606
Total	$ 43,612,488	$ 36,123,822	$ 61,808,464	$ 69,044,084
% of State Aid to Total Expenditures				
Formula Aid	16.6%	10.8%	21.5%	23.5%
Emergency Aid	5.9	6.7	7.2	7.0
Total	22.5%	17.5%	28.7%	30.5%
Enrollment	1,475,000	1,442,000	1,424,368	1,383,599
Expenditures Per Pupil	$131.05	$143.03	$151.18	$163.82
Aid Per Pupil	$ 29.56	$ 25.05	$ 42.39	$ 49.90

SOURCES: (a) 24th Annual Report of the Commissioner of Education 1974-75.
(b) 25th Annual Report of the Commissioner of Education 1975-76.
(c) 1977/78 State Aid Calculation - Division of Administration and Finance.
(d) Memorandum from SDOE official.
(e) 1978/79 State Aid Calculation - Division of Administration and Finance.
(f) NJEA Basic Statistical Data 1975, 1976.

TABLE 2

STATE CAPITAL SUPPORT PROGRAMS OF THE TEN LARGEST STATES, 1975-76

State	State Capital Support Program	Enrollment Fall 1975	State Support Per Pupil
	(1)	(2)	(3)
California	(a)	4,427,443	-
Florida	$111,500,000	1,557,054	$ 71.61
Illinois	362,251,626	2,296,241	157.76
Indiana	43,000,000	1,186,800	36.23
Massachusetts	114,722,612	1,210,100	94.80
Michigan	(a)	2,137,612	-
New Jersey	34,684,763	1,466,956	23.64
New York	226,000,000	3,435,847	65.78
Ohio	(b)	2,330,150	-
Pennsylvania	159,877,000	2,277,447	70.20

SOURCES: Column (1) -
Public School Finance Programs, 1975-76, (Washington D. C.: U.S.O.E., Bureau of School Systems, 1976).
Column (2)
Statistics of Public Elementary and Secondary Day Schools, Fall 1975, (Washington, D. C.: U.S. Department of H.E.W., National Center for Educational Statistics, 1976), p.22.

(a) California and Michigan use a state loan rather than a state aid system and are therefore not comparable.

(b) Ohio uses a foundation plan formula which does not distinguish capital aid from general aid.

Current School Facility Expenditures and Needs in New Jersey

In 1975/76, New Jersey districts spent an average of $143.03 per pupil for debt service, capital outlay and emergency aid (See Table 1). This represented 8.74% of total school expenditures in that year.[20] During that same year, the national average for debt service and capital outlay was $165 per pupil, which represented 11.5% of total expenditures.[21] By 1977/78, New Jersey had increased its statewide average school facility expenditures to $163.82 per pupil, which was only 7.60% of total expenditures.[22]

Assuming that New Jersey should be spending at about the national average for school facilities, and that the national average has increased since 1975/76 by about 10% to a level of $180 per pupil, then the gap between current expenditures and current needs can be estimated at about only $16 per pupil. ($180-$164). If it is recognized, however, that New Jersey's educational cost level is higher than the national average, and that New Jersey should be spending about the national average proportion of total expenditures, then New Jersey should have spent about $248[23] in 1977/78 leaving an unmet needs gap of $84 per pupil ($248 - $164).

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[20] This percentage is calculated by dividing total capital outlay and debt service expenditures of $143.03 per pupil by the combined total of all expenditures per pupil, which includes $143.03+$1,494.23 which is the State Average Current Expense Per Pupil reported in Basic Statistical Data of New Jersey School Districts (Trenton: NJEA, June '77), p.36.

[21] John Augenblick, Systems of State Support for School District Capital Expenditures, (Denver: Education Commission of the States, May, '77), p.3.

[22] This figure is calculated by dividing capital outlay and debt expenditures per pupil of $163.82 by the combined total of all expenditures per pupil which includes $163.82+ $1,990.74 which is the State Average Current Expense Budget Per Pupil reported in the SDOE 1978/79 State aid calculations.

[23] This figure is calculated by multiplying the national average proportion of facility expenditures to total expenditures of 11.5% x the combined total of all expenditures per pupil which includes capital outlay and debt of $163.82 + $1,990.74 which is the State Average Current Expense Budget Per Pupil.

These estimates of current school facility needs are based on national average expenditures and may therefore bear little resemblance to actual needs in New Jersey. Using the reported construction needs of eight districts which had completed their Master Plans, SDOE officials estimated total state capital needs over the next ten years to be $3.7 billion.[24] If this sum were amortized over a period of 30 years, the cost per year, including interest charges would be about $169 per pupil.[25] This sum would represent the cost of new construction, and would be in addition to current debt service for past construction, which in 1977/78 amounted to $135 per pupil.[26] The result would suggest necessary school facility expenditures during the next ten years between $169 and $304 per pupil, or an average of about $236 per pupil. This figure is close to the estimate of $248 per pupil, which was based on national averages.

Whether one estimates New Jersey's statewide current school facility needs on the basis of national averages, or on a sample of New Jersey school district master plans, the results are essentially the same. The current statewide level of expenditures for school facilities is far below estimated current needs. It is not unreasonable to conclude that the new state aid formula has failed to generate a statewide expenditure level sufficient to meet current needs.

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24 Report of the Department of Education Before the New Jersey Commission on Capital Budgeting and Planning, (Trenton, Aug 12, 1977), p.6.

25 This figure is calculated by adding to $3.7 billion the estimated total interest incurred during a 30 year amortization of $3.33 billion, and dividing the sum of $7.03 billion by 30 years to arrive at a debt service of $234 million per year. Dividing $234 million by the 10/1/77 statewide enrollment of 1,383,599 yields an estimate of the cost per pupil per year.

26 This figure is calculated by dividing total statewide debt service for 1977/78 of $186,901,558 shown in the SDOE 1978/79 State Aid calculation by 10/1/77 enrollment of 1,383,599.

State Aid and Interdistrict Disparities in School Facilities

In examining the adequacy of a state aid program, one must look not only at the level of aid, but at the manner in which it is distributed. For example, if a state had a very high level of aid which was distributed as a flat grant per pupil without regard to inequalities of district fiscal capacity or district needs, such a system would be unfair to low wealth districts and to districts with greater than average facility needs. The present New Jersey school facility aid systems do recognize both factors, wealth and need. However, as seen in Table 1, in 1977/78 only $15,850,606 or 23% of total state aid was based on district need, while the balance of $53,193,478 was paid to each district as a percentage of its actual capital and debt expenditures, regardless of need. The result of the relatively limited recognition of need has been that the combined state aid programs have failed to initiate district efforts to replace old, obsolete school buildings in the districts with the greatest needs.

As described earlier in this paper, the firm of Engelhardt and Engelhardt did a survey in 1974 of facility needs in Mercer County. Column 4 in Table 3 shows the average physical condition index of the school buildings of each district in Mercer County. The higher this index, the better the physical quality of the schools in that district. Column 2 shows the grand total per pupil of each district's budgeted capital outlay and debt repayment plus the debt paid by the state for the district under current "emergency school building aid" legislation for the 1977/78 school year. Column 3 shows the grand total per pupil of state formula aid and "emergency school building aid" for the same year.

Capital outlay and debt repayment follow as a result of new facility construction. Minor construction may be financed out of current revenue and included as capital outlay in the current budget. Major construction is financed through bonds, which are repaid generally over a period of 20 to 30 years. It follows that the higher the level of recent school construction or repairs in a district, the higher will be the current level of capital outlay and debt repayment. Therefore one is not surprised

TABLE 3

SCHOOL FACILITY NEEDS, EXPENDITURES AND STATE AID IN MERCER COUNTY SCHOOL DISTRICTS

District	Equalized Valuation Per Pupil 10/1/77	District Capital Outlay, Debt Service & Emergency Aid Expenditures Per Pupil 1977/78	State Formula Aid & Emergency Aid Expenditures Per Pupil 1977/78	Engelhardt Physical Condition Index
	(1)	(2)	(3)	(4)
East Windsor Reg.	$ 70,358	$ 307.68	$ 71.03	869
Ewing	98,500	84.31	7.30	662
Hamilton Twp.	74,204	84.16	25.22	607
Hopewell Valley Reg.	110,676	126.22	0	807
Lawrence Twp.	150,913	183.53	0	814
Mercer County Voc.	77,740	609.63	201.09	920
Princeton Reg.	188,616	102.50	0	762
Trenton	30,623	111.27	75.84	668
Washington Twp.	98,090	148.44	9.00	747
West Windsor	123,267	326.31	0	885

SOURCES: Columns (1) and (2)
S.D.O.E. State Aid Calculation for 1978/79 & schedule of Emergency Aid
Column (3)
S.D.O.E. State Aid Calculation for 1977/78 & schedule of Emergency Aid
Column (4)
Calculated from data in Report on the Pilot Survey of Public School Facilities, Mercer County, New Jersey, (Purdy Station, New York: Engelhardt and Engelhardt,1974).

to discover that there was a positive correlation of .80 between the Engelhardt physical condition index and total capital and debt expenditures per pupil in 1977/78. In other words, the better the facilities, the higher the current level of capital outlay and debt repayment.

However, there is also a positive correlation of .38 between total state aid and the physical condition index. In other words, the better a district's facilities, the greater the amount of aid received from the state. For example, as can be seen in Table 3, Mercer County Vocational, the district with the best rated facilities, received the most state aid, while Hamilton Township, with the lowest rated facilities,received about one-eighth the amount of aid per pupil as did Mercer County Vocational. This is not surprising because only 23% of all state facility aid is based on need, but it is discouraging because it goes contrary to the presumed purpose of state aid, which is to help reduce interdistrict disparities in facility quality.

Current debt repayments do result from decisions taken as far back as 20 to 30 years ago, so it is appropriate to examine the impact of the Engelhardt study and the impact of the new aid plan on more recent decisions. An examination of the audited financial statements of Mercer County districts show only two additional bond authorizations during the three fiscal years from 1974/75 to 1976/77. East Windsor with the third highest quality facilities authorized an additional $75,000 and West Windsor Plains with the second highest quality facilities authorized an additional $450,000. Those districts which were most in need of corrective action took no new actions at all during this period.

Although the state aid programs have failed to achieve their purpose in Mercer County, they may have been more successful statewide. The relationships among capital expenditures, state aid and average building age are shown for 62 districts, summarized

by district categories in Table 4.[27] The districts are shown in detail in Appendix 1.

Average building age in this analysis is considered a proxy for general facilities condition and facilities needs. Although one can argue that an old building may still be structurally sound, in general older buildings need more maintenance and are more likely to be educationally obsolete.

The data in Table 4 reflect the same situation as the data in Table 3. The low SES urban communities which have by far the highest average age buildings are currently spending the least per pupil for capital outlay and debt service, while the high SES suburban communities which have the lowest average age buildings, spend the most per pupil for new construction. Rural communities, with the second lowest average building age are the second highest spenders, while the moderate SES urban group with the second highest average age, rank as the second lowest spenders.

There is a clear pattern here as in Mercer County; because debt repayment follows new capital construction, the more modern the facilities the higher the capital and debt expenditures, while the older the facilities, the lower the capital expenditures. For example, 71% of Newark's buildings are over 50 years old, and the average building

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[27] This sample was created and used by Andrew Reschovsky and James Knickman in Municipal Overburden in New Jersey: An Assessment, a study for the Urban Education Observatory of the N.J. Department of Education, Trenton, Dec. 1976. The authors included as "urban" districts all 28 districts which receive urban aid. Although the inclusion of such wealthy districts as Little Ferry, Moonachie and Clifton in the low SES urban category is questionable, this sample group was used for the sake of consistency.

TABLE 4

SCHOOL FACILITY EXPENDITURES, STATE AID AND BUILDING AGE BY SCHOOL DISTRICT CATEGORIES

District Category	Number of Districts	Average Equalized Valuation Per Pupil 10/1/77	Average Total Capital, Debt & Emergency Aid Expenditures Per Pupil 1977/78	Average State Formula Aid & Emergency Aid Per Pupil 1977/78	Average Age of Buildings 1977	Average % of Buildings Over 50 Years
Low SES Urban Communities	28	$ 65,581	$135.14	$ 66.23	49.5	59.3
Moderate & High SES Urban Communities	10	92,010	145.46	34.42	37.7	35.0
Low & Moderate SES Suburban Communities	6	172,253	146.61	15.78	37.1	40.1
High SES Suburban Communities	8	139,707	171.30	11.57	30.0	24.5
Rural Communities	10	95,225	147.46	40.88	35.4	25.4

SOURCE: Building age information was taken from district A 41 reports for 1977. All other data was taken from SDOE State Aid calculations for 1977/78 and 1978/79, and schedule of Emergency Aid.

age is 67 years. Newark spent $153 per pupil on capital and debt. Ocean City, one of the state's wealthiest districts, has an average building age of 36 years and spent $466 per pupil. Orange, with 89% of its buildings over 50 years and an average age of 66, spent $131 per pupil. (See Appendix 1)

In contrast with the Mercer County data, state aid as shown in Table 4 appears to favor districts with the greatest needs. The low SES communities with the highest average age buildings received $66.23 in state aid per pupil, while the high SES suburban communities with the lowest average age buildings received only $11.57 per pupil. However, these results hide the fact that the low SES urban group received more state aid not due to their greater needs but due to their lower wealth.

State formula aid is based on a percentage of prior year capital and debt expenditures, and that percentage is based on the relationship between the actual wealth per pupil of a district and the state guaranteed valuation. The low SES urban communities have less than half the average property wealth of the high SES suburban communities and therefore receive a higher percentage of state formula aid. As a result, although those urban districts with the greatest needs were spending the least on capital outlay and debt, they received a much higher percentage of what they spent and therefore a greater amount of aid per pupil than the high SES suburban communities.

It is important to note that the present state formula aid system is designed so that all districts below the state guaranteed tax base which spend the same amount per pupil for capital outlay and debt repayment will suffer the same tax consequences. For example, assume a state guaranteed tax base of $100,000 per pupil. District A has a tax base of $20,000 per pupil and a state aid ratio of 80%, while District B has a tax base of $75,000 per pupil and a state aid ratio of 25%. If each spends $200 per pupil for capital and debt, the tax consequence to each will be the same, 20¢ per $100 of equalized assessed property evaluation. ($200 ÷ $100,000). However District A will receive $160 in aid (80% x $200) while District B receives $50 (25% x $200).

Districts with wealth in excess of $100,000 per pupil would enjoy lower tax rates for the same expenditure level, although they receive no aid at all. For example, District C, with a tax base of $200,000 per pupil and spending $200 per pupil for capital outlay and debt, would receive no state aid and still enjoy a tax rate of 10¢ per $100 of property value ($200÷$200,000).

State formula aid is based on the difference between a district's actual tax base and the state guaranteed tax base, not the facility needs of the district. Therefore, it would make no difference at all if the average building age in District A were 75 years, in B 40 years, and C 15 years. Aid would be based on actual expenditures in the prior year times the state aid ratio. As a result, the relationship between total state facility aid per pupil and building age of the 62 districts in the sample, is a negative correlation of .36. In other words, the higher the average building age, the less aid received; the lower the average building age, the more aid received. As was noted with respect to the similar Mercer County results, this result is expected because formula aid, which does not reflect needs differentials, accounts for 77% of all aid.

Just as the Mercer County districts were examined to determine if the new aid system has acted to motivate changes in the pattern of new debt authorization since the inception of the act, the sample of 62 districts was similarly examined. A review of the annual audited financial statements for the 1976/77 school year shows new debt authorizations in only three of the 62 districts. Jersey City, which had an average building age of 49.6 years, and spent only $150.96 per pupil for facilities, compared to the state average of $163.82, authorized new debt of $1,110,000 or $2.19 per pupil per year.[28] Paterson, which had an average building age of 59.7 years, and

[28] Jersey City: $1,110,000 + estimated interest of $832,500 = $1,942,500÷ 25 years = $77,700 per year÷enrollment of 35,470 = $2.19 per pupil per year.

spent $151.58 per pupil in 1977/78, authorized $1,536,604 or $3.94 per pupil per year.[29] Long Branch, which had an average building age of 43.4 years, and spent $132.54 per pupil in 1977/78, authorized $510,400, or $6.79 per pupil per year.[30] Considering the age of the buildings and the current level of facility expenditures, the new authorizations in these districts demonstrate very little improvement. Those districts with the highest building age in the sample, Newark and Orange, made no new authorizations at all.

When the Mercer County data is considered together with the results of the sample of 62 districts, the conclusion is inescapable. The combined effect of the new Public School Education Act formula and "emergency aid" has failed to result in relatively larger expenditure increases in the districts with the greatest needs. In fact, because the bulk of state aid is based on district expenditures rather than district needs, state aid for facilities construction is seen to be inversely correlated with need; the greater the need, the less the aid; the less the need, the greater the aid.

One reason for this result may be the fact that state support for capital outlay and debt service is based on the prior year's expenditures. This means that a district which wishes to increase its capital and debt expenditures in the current budget above the level of the prior year must do so without state support until the following year. It must raise the difference between state aid and expected expenditures exclusively by reliance on its own property tax base, which is a very difficult task for low wealth districts.

For example, Trenton had one of the lowest physical evaluation indices in the Engelhardt Survey (See Table 3). It has an average building age of 45.3 years and

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[29] Paterson: $1,536,604 + estimated interest of $1,152,453 = $2,689,057 ÷ 25 years = $107,562 per year ÷ enrollment of 27,303 = $3.94 per pupil per year.

[30] Long Branch: $510,400 + estimated interest of $382,800 = $893,200 ÷ 25 years = $35,728 per year ÷ enrollment of 5,263 = $6.79 per pupil per year.

47.8% of its buildings are more than 50 years old. If Trenton wished to raise its facility expenditures from the $111.27 per pupil spent in 1977/78 to $211.27 in 1978/79, it would have to finance the $100 increase from its own property tax base of $30,623 per pupil. That would necessitate a tax increase of $.33 ($100÷$30,623). By comparison Ewing, with a similar Engelhardt rating, expenditures in 1977/78 of $84.31 per pupil, and a tax base of $98,500, could increase its expenditures per pupil by $100 with a tax increase of $.10 ($100÷$98,500). Princeton, with a tax base of $188,616, would only require a tax increase of $.05 ($100÷$188,616) to increase its facility expenditures by $100 per pupil. Inasmuch as the Trenton tax rate of $5.37 in 1977/78[31] was already one of the highest total tax rates in the state, a further increase of $.33 is a very powerful disincentive to embark on necessary new school construction.

Clearly the new formula severely inhibits low wealth districts from embarking on new facility construction. Inasmuch as New Jersey's urban districts generally have the greatest facility needs as well as the lowest property tax bases, the new formula is particularly disadvantageous to the state's urban districts. Emergency aid, which does recognize need, has simply been insufficient to fill the gap.

On the basis of the three criteria examined in this section one must conclude that the state support systems for school facilities in New Jersey are grossly inadequate. Although the level of state support for school facilities has increased substantially between 1974/75 and 1977/78, the state provided only $49.90 per pupil in 1977/78, which was only 30.5% of statewide school facility expenditures. This left New Jersey still far below the level of state aid provided by comparable states. The state support systems have failed to initiate statewide school facility expenditure levels which meet current estimates of unmet school facility needs.

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[31] Basic Statistical Data of New Jersey School Districts, 1977 Edition, (Trenton: New Jersey Education Association, 1977).

Because districts must finance the first year of increased expenditures without state aid, low wealth, high needs districts have not been able to initiate the new construction necessary to replace their old and obsolete buildings. Because only 23.5% of state support recognizes needs while 76.5% is a reimbursement of past capital and debt expenditures, state aid is not correlated with need. In New Jersey, the districts with the greatest school facility needs receive the least state aid, while those with the best facilities receive the most state aid.

V

CAPITAL AID IN OTHER STATES

During the past decade a large number of states have completed school finance reform legislation designed to reduce disparities in per pupil expenditures and school tax rates. Most of these reforms have focused on changes in state aid plans for current operating expenses. Few changes have affected state aid plans for capital expenditures, even though the problem of wealth inequality creates precisely the same constraint on district ability to meet facility needs as it does on operating needs.

Of the 50 states in the nation, 15 provide no aid at all, 8 provide loans, 11 use a flat grant system, 10 use a property wealth equalizing system (like New Jersey), 8 use a state/local sharing system and in Florida, Maryland and Hawaii, the state has taken full assumption of capital construction.[32] Programs in Florida and Maryland have not been fully funded and local districts have had to contribute revenues. Only Hawaii now fully assumes the cost of all school construction which the state deems essential, although even there, local districts may supplement state aid.

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[32] Augenblick, (1977), op.cit.

In 1971 Maryland assumed all future construction costs and all outstanding district debt and future interest costs. Site acquisition costs remained district responsibility. Districts were asked to develop annual and five year capital improvement plans which were then prioritized by a state committee based on available state funds. No limit was placed on the amount local districts could add on to state aid. In the first five years of the program Maryland spent almost $1 billion. New Jersey has spent only $250 million in the past five years for a pupil population about 50% larger than that of Maryland; this amounts to about one sixth as much per pupil. Recently, however, Maryland's bond credit began to worsen, and only a small appropriation was made last year.[33]

Florida assumed the full cost of local capital construction and site costs and all outstanding indebtedness in 1973. Local districts were given a choice of using a state plan fully paid for by the state, or a local plan which permitted the district a limited local add on to state approved project costs.

Florida conducted a statewide facilities needs survey and funded construction projects received funds based on statewide priorities. According to one review of the state's program,[34] it has proved to be inadequate for two major reasons. The first is that it is not fully funded. In 1975/76 the state provided funds for only about 15% of current unmet needs. The second reason is that the state aid which is distributed is done so exclusively on the basis of need, without consideration of wealth differentials.

> Although district facilities needs were assessed and state services expended, funding for the comprehensive program has been a small proportion of the legally defined need. Districts receive an amount equal to their proportion of total state unmet need. District ability to pay is only an indirect consideration in the distribution of funds. Unless all needs are funded, therefore, districts are required to made unequal efforts to meet their remaining needs or to spend their state money and commit no local funds, beyond those already allocated for capital purposes from current expenditures to capital projects.[35]

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33 Ibid.

34 Augenblick, (1977) pp.20-27, op.cit.

35 Ibid., p.23.

As a result, low property wealth districts must meet their unmet needs with much higher tax rates than high property wealth districts. If the state decides to fund only a portion of the unmet needs, no matter how those limited funds are distributed, the problems of low wealth districts with relatively high facility needs cannot be overcome. For example, if limited funds are distributed on the basis of need alone, high wealth districts with high needs would receive the same aid as low wealth districts with high needs. This would occur despite the fact that high wealth districts could easily fund their own construction programs, and the unmet needs of low wealth districts could only be met with relatively high tax rates. On the other hand, if aid were distributed on the basis of wealth equalization formulas alone, districts with relatively high needs would require higher new debt authorizations and tax rates, compared with districts of low need, regardless of the level of the state guaranteed tax base. In the long run, only a full state assumption model can effectively meet the needs of all districts, particularly those with the greatest needs and least wealth. This and related recommendations are discussed in the next section.

VI
DISCUSSION AND RECOMMENDATIONS

Discussion

In response to a New Jersey Supreme Court decision which declared the state's school funding system to be unconstitutional, the legislature passed the Public School Education Act of 1975. According to that act,

> The goal of a thorough and efficient system of free public schools shall be to provide to all children in New Jersey, regardless of socioeconomic status or geographic location, the educational opportunity which will prepare them to function politically, economically and socially in a democratic society. (18A:7A-4)

In its decision, the New Jersey Supreme Court made it clear that any definition of "T&E" must reflect the state's obligation not only for operating expenditures but

also for ".....capital expenditures without which the required educational opportunity could not be provided."[36]

One purpose of the new law was to reduce the unequal educational opportunities reflected in the huge disparities in expenditures per pupil for operating expenses. According to a recent report of the Education Policy Research Institute, those disparities have not been reduced at all.[37]

One must also assume that a second purpose of the act was to reduce the unequal educational opportunities reflected in the wide disparities in the quality of facilities available to New Jersey school children. The fiscal data presented in this report makes it clear, that there has been no movement at all in that direction since the inception of the new act.

A review of the Mercer County districts examined in the Engelhardt study shows that the districts with the worst facilities have not been motivated by the new state aid system to initiate new construction, while those with the best facilities have. In fact, in 1977/78, those districts with the best facilities received the most aid, while those with the worst facilities received the least.

A review of a statewide sample of 62 districts demonstrated essentially the same results. The new state aid systems have failed to motivate new construction where needed the most, and at the same time state aid is inversely correlated with need.

The reason for these inadequate results can be found in the level, composition and distribution methodology of the current state aid systems. Although the level of state aid has risen by 58% from 1974/75 to 1977/78 it is still far below the level of state aid for school facilities provided by other comparable states, both in terms of the percentage of aid to total capital outlay and debt service, as well as the amount of state aid per pupil. In addition, only 23% of all state aid is based upon needs

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[36] Supreme Court of New Jersey, op.cit.

[37] Margaret Goertz, What Happened to the 400 Million Dollars?, (Princeton: E.P.R.I. of E.T.S., 1977).

differentials, while the balance is distributed through a wealth equalizing formula which reimburses a percentage of each district's actual expenditures of the prior year. The fact that state aid reimburses the prior year's expenditures creates a particularly onerous problem for low wealth districts which have to finance an increase in the level of expenditures from one year to another entirely on the basis of their actual property wealth alone, without state assistance, thus necessitating very substantial tax rate increases.

It is clear that the state aid formulas developed by the legislature have done nothing to reduce disparities in the quality of educational facilities. Then what has the state done to carry out its court mandated responsibility?

Discussions with SDOE officials lead one to the conclusion that the SDOE has initiated a strategy to gather information regarding the current level of facility needs in the state in order to convince the legislature, on the basis of hard facts about the magnitude of the problem, to increase the level of state aid and change the formula to more adequately reflect disparities in needs. In order to gather the necessary information it has initiated the Uniplan study and required a Facilities Master Plan of each school district.

The purpose of the Uniplan study is to obtain an objective and current inventory of school facilities. However, the study has only received funding for an examination of three counties, and even if studies of the other counties are ultimately funded by the legislature, at the present pace it might take at least several years before a statewide survey is completed, and if completed it is uncertain what will be done with the information which may have an impact on the current disparities in educational facilities.

The Facilities Master Plan requires each district to submit an inventory of its present facilities, an evaluation of present and future needs, and a ten year plan for meeting their needs. Although the plan is valuable as a means of encouraging rational

local decision-making, it has little value as a source of information for state decision-making. The Engelhardt study warned that the evaluation of district facilities which is required by the plan, is subject to gross errors when done by inexperienced district employees with varying skills, interests and values. Cautioning that subjective evaluation varied substantially both within and among districts, the report recommended the use of experienced, objective, outside consultants, if the state wished to obtain an equitable, objective picture of all school buildings in the state. Although the SDOE Bureau of Facilities Planning will conduct desk audits to insure that the various required forms are properly prepared, given the small size of the staff, they could hardly be expected to audit the objectivity of the reported data.

As a result, the district plans cannot be a meaningful source of information to the SDOE for objective planning to meet statewide school facility needs. Nor can it be used as a basis for state aid. If state aid were based only on the district's own evaluation of the adequacy of its facilities, without independent verification, it is predictable that districts would be inclined to overestimate their needs in order to maximize their aid.

Given its various limitations, it is unclear precisely how the state plans to use the information gathered by the Facilities Master Plan. Will it be used for state level financial planning? How extensively will district plans be audited? Against what criteria? How much control will the state exercise? Will the state return ten year plans as "too much" or "too little"? Although the state guidelines speak of the need for SDOE "approval", what is the effect of non-approval of district capital plans? What will happen if the "objective" Uniplan study, when and if completed, provides information which conflicts with local district data? If the SDOE plans to use district master plans for forecasting statewide capital and debt expenditures, then what will be done with the Uniplan data which is presumably intended for the same purpose.

Neither the present law, nor codes, nor SDOE officials are currently able to answer any of these questions.

Recommendations for a School Facilities Policy

This review of the state's activities regarding school facilities needs indicates that some major changes are needed in relevant state level policy. Statewide expenditures for capital outlay and debt service are at a level insufficient to meet current needs. The present state aid formulas have failed to alter the huge interdistrict disparities in the quality of school facilities. The state response has been to start an objective statewide survey of school facilities, which if continued at all, and at its present pace, will take several more years to complete. In addition, the state has required all districts to engage in a facilities planning process which will continue to allow some districts to create country club environments, while others are either unable or unwilling to provide even minimally acceptable facilities. School facility planning therefore will continue to be a function of local values and desires and local fiscal capacity to pay for those desires.

New Jersey needs a new state aid plan for school facility construction more than it needs an information survey; there is enough information currently available to identify the more compelling capital needs of school districts in the state. Cynical observers may conclude that the state's emphasis on the gathering of information in the face of the current clear and gross inequities is merely a device for postponing a solution.

The most equitable and practical plan for New Jersey to pursue is one in which the state assumes full responsibility for school construction, by allocating state funds on the basis of objectively determined needs ranked in order of need by the state. Under such a plan, a state facilities survey will be essential to objectively identify and prioritize facility needs. Local facilities plans which are based on those needs

could be submitted for state approval and full funding. Districts which wished to build facilities outside of the sequence established by the state, or at cost quality levels above the state standard, could be permitted to do so, but on the basis of local resources,and without state aid.

New Jersey should adopt the following policies:

1. The state will complete a statewide evaluation of all school facilities. This step is necessary in order to develop an independent, objective evaluation of each district's school facility needs on the basis of state criteria. The information will be used to develop a statewide schedule of new facility construction and rehabilitation in a time sequence based on relative district needs.

2. The state will assume the total cost of all new construction. New school construction and rehabilitation projects will continue to be designed by the local districts. Those that fall within state cost and quality standards and are scheduled in accordance with the state's time schedule, will be fully paid for by the state. Districts which wish to build school facilities which exceed the state standards or earlier than scheduled, may do so if approved by local referendum, but will receive no state support.

3. Prior district debt will be serviced in accordance with the current system. The future payment of current district debt will continue to be paid by the local district, and reimbursed by the state in accordance with the current state school aid formula. There appears to be no justification for New Jersey to follow the Florida and Maryland decision to fully assume prior debt. It seems equitable that districts should continue to service their past debt for the new facilities they now enjoy. However it would not be equitable for the state to discontinue the present method of sharing the cost of the debt service,

inasmuch as lower wealth districts would otherwise be faced with large increases in their school tax rates. It is therefore recommended that districts continue to service that debt which was incurred prior to the implementation of this recommendation, and that the state continue to share the cost of district debt service in accordance with the current state aid formula. However inasmuch as the state will assume the full cost of all new state approved construction, it should no longer provide state support for capital outlay.

Cost Estimate of Proposed State Support Program

The implementation of the proposed plan would result in an increase in state support for school facilities. An estimate of the new state support levels is included in Table 5. State support would consist of three components: debt service to repay the bonds issued by the state to finance new state approved projects; the continuation of the current state aid formula to reimburse districts for their service of prior debt; and state service of those bonds now outstanding as a result of "emergency aid" legislation.

Debt Service

An estimate of the cost of debt service is very conjectural. It could vary greatly depending on several factors: the actual total cost of state approved projects; the number of years required to initiate those projects; the interest rate on the bonds which finance the projects; and the number of years required to retire the bonds.

One estimate of the total cost of state approved projects could be based on the estimate of current school facility needs of $3.7 billion made by the State Department of Education. It is reasonable to assume that part of those needs would be financed by local districts which chose to implement projects which exceeded state

TABLE 5

ESTIMATED FISCAL RESULTS OF RECOMMENDED STATE SUPPORT PROGRAM FOR SCHOOL FACILITIES

		Future Years (In Millions of dollars)							
	1977/78	1	3	5	10	15	20	25	30
State Assumption of New Construction. Estimated current needs of $3.0 billion funded over ten years at $300 million per year, amortized over 30 years at 6% interest, equals amortization of $19 million per year for each $300 million.		18	54	90	180	180	180	180	180
State Aid for Capital Outlay (a)	$ 2,240,878								
State Aid for Prior Debt Service & Emergency Aid (b)	$ 66,803,206	64	59	54	41	28	16	3	0
Total State Support for School Facilities	$ 69,044,084	82	113	144	221	208	116	183	180
District Debt Service & Emergency Aid (c)	$ 202,752,164	197	185	173	143	113	83	53	50
District Capital Outlay (d)	$ 23,914,219								
Total School Facility Expenditures (e)	$ 226,666,383	215	239	263	323	293	263	233	230
Total State Support Per Pupil Based on 10/1/77 Enrollment of 1,383,599	$ 49.90	59	82	104	160	150	142	132	130
Total School Facility Expenditures Per Pupil Based on 10/1/77 Enrollment of 1,383,599	$ 163.82	155	173	190	233	212	190	168	166

(a) Inasmuch as the state will assume full cost of all approved new construction, there will no longer be state aid for capital outlay.

(b) Amount shown in future years is based on assumption that this figure will gradually decline to zero over a period of 25 years.

(c) Amount shown in future years is based on assumption that this figure will gradually decline to $50 million per year at the end of 25 years and thereafter, representing district expenditures not supported by state aid.

(d) For purposes of this illustration it has been assumed that there will no longer be capital outlay by school districts.

(e) State assumption of new construction plus district debt service of prior debt and emergency aid. In 1977/78, this figure is the total of district debt service and emergency aid, plus district capital outlay. In subsequent years, it is the total of district debt service and emergency aid, plus state assumption of new construction.

standards or were built earlier than the state priority schedule, and were therefore not assumed by the state. Table 5 estimates the total cost of state approved projects at $3.0 billion.

If the projects were spread out over a period of ten years, the state would have to borrow $300 million per year. If the bonds had an interest rate of 6% and were amortized over 30 years, the debt service would be $19 million in year one, and rise to $190 million per year in year ten, and remain at that level until year 31, when it would begin to decline.

It is possible that school facility needs will be identified in future years in addition to the estimate of $3.0 billion. However, it is not possible to estimate those needs, nor when they would be identified. Once the state's current needs are met, the decline in student enrollment could result in relatively low additional needs in the foreseeable future. Therefore no estimate has been included in Table 5 beyond the $3.0 billion estimate of state school construction during the first ten years following the implementation of this program.

State Aid

State support for district debt service and emergency aid was $66,803,206 in 1977/78. New district debt will only be incurred for projects not supported by the state and will no longer be reimbursed by state aid. There will no longer be a need for new emergency aid. Therefore the state aid shown in Table 5 will decline to zero over an estimated 25 years.

Total State Support

Based on the above assumptions, total state support for school facilities will rise as a result of the proposed system from $69,044,084 to $82 million in the first year of the new plan, will peak to $221 million in the tenth year, and decline thereafter. Expressed in per pupil terms, New Jersey will raise its school facility support from $49.90 per pupil in 1977/78 to a peak of approximately $160 per pupil in

the tenth year of the plan. Based on 1975/76 figures, New Jersey would be spending more per pupil than any of the other ten largest states (See Table 2), although only slightly more than the $157.76 spent by Illinois. It would still be exceeded by Hawaii, which in that year spent $368 per pupil for school facility support.[38]

Total State Expenditures

Total statewide expenditures for school facilities would also increase. It has been estimated in Table 5 that statewide district expenditures for prior debt service and emergency aid would gradually decline over 25 years from $202,752,164 in 1977/78 to about $50 million per year thereafter for projects not paid for by the state. When combined with state paid new construction, total statewide school facility costs would fall from $226,666,383 in 1977/78 to $215 million in year one of the new plan, and peak at $323 million per year in year ten. Expenditures per pupil would increase from $163.82 in 1977/78 to a peak of $233 in year ten. In year ten New Jersey would spend about 10.5%[39] of its total expenditures on school facilities, compared to the state's proportion of 8.7% in 1975/76, and would still be below the national average of 11.5%.

Sources of Additional State Revenue Requirements

It has been estimated that total state support for school facilities will increase as a result of the proposed plan by $13 million in the first year of the new plan, and by as much as $152 million in the tenth year of the plan. Where will the state find the necessary revenue to finance this increase?

One source is an increase in the state income tax. Another possibility is an alteration of the current state aid plan. If the notion of an increase in the income tax rate is politically unpalatable, the funds can be made available by eliminating from the current state aid plans the two most objectionable elements, which favor the

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[38] This figure is calculated by dividing 1975/76 capital grants of $64,878,000 reported in Public School Finance Programs, 1975/76, by 1975 enrollment of 176,430 reported in Statistics of Public Elementary and Secondary Day Schools, 1975.

[39] Total estimated statewide expenditures per pupil of $241 : total expenditures per pupil of $2,231.74, which includes $241 plus current expenditures per pupil of $1,990.74 in 1977/78.

state's wealthiest districts, i.e., minimum aid (which in 1977/78 amounted to $60 million) and state assumption of 100% of pension costs (which in 1977/78 amounted to $246 million). The combined savings of $306 million would be more than sufficient to meet the estimated maximum additional state aid for school facilities of $152 million. There would be $154 million left over to finance such other desirable reforms as an increase in the guaranteed tax base, an increase in categorical aid programs and adjustments for municipal overburden problems.

The school facilities state support system recommended here could work to eliminate the state's current unmet facility needs, to insure that future needs will be met as they arise, and to eliminate gross interdistrict disparities in the quality of school facilities. At the same time, it places a lid on construction costs by calling for state assumption only of those buildings which meet state cost/quality criteria. Under the current aid plan there is no limit on the amount subject to state aid, and the cost of unnecessarily luxurious facilities is shared by the state in districts which fall below the state property wealth guarantee level.

The proposed system accomplishes two major goals. It meets the requirements of the New Jersey Supreme Court by guaranteeing that all the state's children will be able to enjoy at least reasonably adequate school building facilities. At the same time it respects New Jersey's tradition of local control by permitting districts to build earlier than scheduled by the state or more luxuriously than permitted by state standards, when the citizens of those districts are willing to fund such projects exclusively from local revenues.

APPENDIX 1

SCHOOL FACILITY EXPENDITURES, STATE AID AND BUILDING AGE OF 62 SCHOOL DISTRICTS IN NEW JERSEY

School District	Enrollment 10/1/77	Equalized Valuation Per Pupil 10/1/77	(a) District Expenditures-1977/78 Capital Outlay	Debt Service	Emergency Aid	Total	Total Per Pupil	(b) State Aid 1977/78 Equalization	Total	Total Per Pupil	(c) Building Age Average Age of Bldgs.	% over 50 years
HIGH SES SUBURBAN COMMUNITIES												
Englewood Cliffs(Ber.)	813	344,986		204,225		204,225	251.20			0.00	28.0	33.3
Moorestown (Burl.)	3,220	104,955	9,400	518,827		528,227	164.05	34,991	34,991	10.87	23.7	16.7
Millburn (Essex)	3,507	184,782	170,982	546,770		717,752	204.66			0.00	32.0	27.3
Chatham Boro(Morris)	1,601	119,578		99,145		99,145	61.93			0.00	39.4	40.0
Pequannock (Morris)	3,290	68,887	45,850	437,339		483,189	146.87	160,590	160,590	48.81	31.8	20.0
Montgomery (Somerset)	1,508	106,257	63,053	380,105		443,158	293.87			0.00	15.0	0.0
New Providence (Union)	2,893	97,248		489,843		489,843	169.32	55,860	55,860	19.31	27.4	20.0
Westfield (Union)	6,858	90,964		538,091		538,091	78.46	92,952	92,952	13.55	42.2	38.5
		139,707					171.30			11.57	30.0	24.5
RURAL COMMUNITIES												
Dennis Twp.(Cape May)	685	71,110		19,052		19,052	27.81	8,138	8,138	11.88	20.0	0.0
Middle Twp.(Cape May)	2,129	75,570		308,564	38,970	347,534	163.24	101,974	140,944	66.20	24.4	20.0
Millville (Cumb.)	5,356	41,745		613,332	86,634	699,966	130.69	394,278	480,912	89.79	43.4	50.0
Washington Twp (Mercer)	640	98,090	3,000	92,000		95,000	148.44	5,763	5,763	9.00	44.0	50.0
Plumsted (Ocean)	1,063	41,387	29,000	30,325		59,325	55.81	33,340	33,340	31.36	49.0	0.0
Pittsgrove (Salem)	1,289	43,636		392,000		392,000	304.11	134,891	134,891	104.65	17.0	0.0
Upper Pittsgrove(Salem)	721	47,596	23,421	23,450		46,871	65.01	13,762	13,762	19.09	43.3	67.7
Bedminster (Somerset)	364	388,448					0.00			0.00	44.0	0.0
Newton (Sussex)	1,327	66,349	81,300	68,835		150,135	113.14	41,591	41,591	31.34	32.3	33.3
Belvidere (Warren)	512	78,317	18,770	220,000		238,770	466.35	23,265	23,265	45.44	36.3	33.3
		95,225					147.46			40.88	35.4	25.4

SOURCES: (a)--Capital Outlay & Debt Service Expenditures - from the N.J.S.D.O.E., 1978/79 State Aid Calculation
Emergency Aid - from the N.J.S.D.O.E. Department of School Finance
(b) Equalization Aid - from the N.J.S.D.O.E. 1977/78 State Aid Calculation
Emergency Aid - from the N.J.S.D.O.E. Department of School Finance
(c) Building Age - from District A41 Forms

APPENDIX 1

SCHOOL FACILITY EXPENDITURES, STATE AID AND BUILDING AGE OF 62 SCHOOL DISTRICTS IN NEW JERSEY

School District	Enrollment 10/1/77	Equalized Valuation Per Pupil 10/1/77	(1) District Expenditures-1977/78 Capital Outlay	Debt Service	Emergency Aid	Total	Total Per Pupil	(2) State Aid 1977/78 Equalization	Total	Total Per Pupil	(3) Building Age Average Age of Bldgs.	% over 50 years
MODERATE AND HIGH SES URBAN COMMUNITIES												
Fort Lee (Bergen)	3,213	231,483		770,991		770,991	239.96			0.00	38.7	16.7
New Milford (Bergen)	2,569	95,237	12,800	351,094		363,894	141.65	40,861	40,861	15.91	29.1	14.3
Waldwick (Bergen)	2,355	78,574	100,000	300,148		400,148	169.91	128,731	128,731	54.66	21.0	0.0
Cinnaminson (Burl.)	4,081	68,124	50,400	526,000		576,400	141.24	199,458	199,458	48.87	36.0	28.6
Pennsauken (Camden)	5,545	94,406		570,549		570,549	102.89	56,110	56,110	10.12	41.1	56.3
Montclair (Essex)	6,421	84,261		605,666	136,584	742,250	115.60	92,973	229,557	35.75	57.4	85.7
Hamilton Twp. (Mercer)	13,787	74,204	315,000	845,280		1,160,280	84.16	347,653	347,653	25.22	40.3	46.2
Long Branch (Monmouth)	5,263	61,016		579,315	118,225	697,540	132.54	177,281	295,506	56.15	43.4	50.0
Neptune Twp. (Monmouth)	5,714	55,882	360,000	508,269		868,269	151.95	279,502	279,502	48.92	35.3	27.3
Pompton Lakes (Passaic)	2,114	76,913	9,750	359,567		369,317	174.70	102,779	102,779	48.62	34.8	25.0
		92,010					145.46			34.42	37.7	35.0
LOW & MODERATE SES SUBURBAN COMMUNITIES												
Florence (Burl.)	1,401	104,175		53,199		53,199	37.97	662	662	.47	52.3	75.0
Laurel Springs (Cam.)	367	77,447					0.00			0.00	58.0	100.0
Ocean City (Cape May)	1,779	368,896	60,000	531,800		591,800	332.66			0.00	26.0	33.3
Wildwood Crest (Cape May)	612	339,855	45,000	84,874		129,874	212.21			0.00	31.5	0.0
Washington Twp. (Glou.)	5,834	49,673	307,920	464,936	163,740	936,596	160.54	246,38[illegible]	410,127	70.30	30.0	12.5
Sayreville (Midd.)	6,245	93,474		851,053		851,053	136.28	149,523	149,523	23.94	25.0	20.0
		172,253					146.61			15.78	37.1	40.1

APPENDIX 1

SCHOOL FACILITY EXPENDITURES, STATE AID AND BUILDING AGE OF 62 SCHOOL DISTRICTS IN NEW JERSEY

LOW SES URBAN COMMUNITIES

School District	Enrollment 10/1/77	Equalized Valuation Per Pupil 10/1/77	(1) District Expenditures-1977/78 Capital Outlay	Debt Service	Emergency Aid	Total	Total Per Pupil	(2) State Aid 1977/78 Equalization	Total	Total Per Pupil	(3) Building Age Average Age of Bldgs.	% over 50 years
Atlantic City (Atl.)	7,684	55,396	500,000	62,812	337,725	900,537	117.20	33,902	371,627	48.36	58.5	76.9
Little Ferry (Bergen)	1,295	130,021		76,200		76,200	58.84			0.00	57.7	67.7
Moonachie (Bergen)	417	309,228		56,405		56,405	135.26			0.00	32.7	33.3
Camden City (Camden)	19,832	21,993	975,868	980,801	839,739	2,769,408	139.64	801,195	1,640,934	82.74	54.1	60.6
Bridgeton (Cumb.)	4,097	28,554		319,247	197,054	516,301	126.02	223,629	420,683	102.68	37.4	20.0
Vineland (Cumb.)	11,345	47,311	30,500	1,220,276	176,100	1,426,876	125.77	559,477	735,577	64.84	38.8	42.1
East Orange (Essex)	13,396	33,464		2,033,698	418,550	2,452,248	183.06	1,405,366	1,823,916	136.15	51.5	61.5
Irvington (Essex)	8,311	52,352	22,000	333,876	274,700	630,576	75.87	177,449	452,149	54.40	55.5	54.5
Newark (Essex)	67,726	24,722		6,965,940	3,386,255	10,352,195	152.85	6,949,983	10,336,238	152.62	67.0	71.2
Orange (Essex)	4,370	42,819		392,546	178,208	570,754	130.61	230,629	408,837	93.56	65.7	88.9
Bayonne (Hudson)	7,962	82,528	603,774		106,650	710,424	89.23		106,650	13.39	59.6	84.6
Hoboken (Hudson)	6,817	27,654		564,183	242,912	807,095	118.39	379,321	622,233	91.28	50.5	75.0
Jersey City (Hudson)	35,470	35,774		3,823,148	1,531,373	5,354,521	150.96	2,519,298	4,050,671	114.20	49.6	63.2
North Bergen (Hudson)	6,590	96,507	157,470	1,488,401		1,645,871	249.75	51,655	51,655	7.84	43.3	52.1
Union City (Hudson)	8,458	36,532		542,308	350,686	892,994	105.58	357,395	708,081	83.72	60.7	77.8
West New York (Hudson)	6,316	37,656		1,231,919	262,453	1,494,372	236.60	716,864	979,317	155.05	54.4	85.7
Trenton (Mercer)	16,660	30,623		1,263,570	590,150	1,853,720	111.27	673,316	1,263,466	75.84	45.3	47.8
New Brunswick (Midd.)	4,765	77,784	50,800	226,647		277,447	58.23	110,709	110,709	23.23	49.3	72.7
Perth Amboy (Midd.)	6,069	61,719	165,000	856,419	257,925	1,279,344	210.80	280,713	538,638	88.75	53.2	67.7
Asbury Park (Mon.)	3,066	37,654	31,403	200,139	107,503	339,045	110.58	131,594	239,097	77.98	44.6	57.1
Lakewood (Ocean)	5,415	84,785	46,800	741,092	91,468	879,360	162.39	118,054	209,522	38.69	31.8	33.3
Clifton (Passaic)	9,445	153,544		816,457		816,487	86.45			0.00	44.6	50.0
Passaic City (Passaic)	8,304	44,461		371,524	271,524	643,048	77.44	205,625	477,149	57.46	47.8	50.0
Paterson (Passaic)	27,303	29,552	1,569,200	1,521,067	1,048,442	4,138,709	151.58	1,175,572	2,224,014	81.46	59.7	63.6
Elizabeth (Union)	14,670	70,740	165,300	3,266,147	620,056	4,051,503	276.18	763,915	1,383,971	94.34	51.2	65.2
Hillside (Union)	3,647	85,852	285,000	88,469		373,469	102.40	30,376	30,376	8.33	N.A.	N.A.
Plainfield (Union)	8,735	47,873	20,800	532,959		553,759	63.40	408,295	408,295	46.74	47.9	57.1
Phillipsburg (Warren)	3,189	49,179	21,980	409,164	135,256	566,400	177.61	59,208	194,464	60.98	24.2	16.7
		65,581					135.14			66.23	49.5	59.3